

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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BANCO SAN JUAN INTERNACIONAL, INC.,	:	
	:	
Plaintiff,	:	
	:	
-against-	:	
	:	Civ No.: 1:23-cv-6414 (JGK)
FEDERAL RESERVE BANK OF NEW YORK,	:	
BOARD OF GOVERNORS	:	
THE FEDERAL RESERVE SYSTEM	:	
	:	
Defendants.	:	
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DECLARATION OF SUZANNE BENVENUTO

1. I submit this declaration pursuant to 28 U.S.C. § 1746 in opposition to Banco San Juan Internacional’s (“BSJI”) motion for a preliminary injunction.

2. I am currently the Chief Operating Officer of the Federal Reserve Bank of New York (“FRBNY”) Operations and Resiliency Group. In that role I oversee several divisions, including Reserve Bank Accounts and Services (“RBAS”). Among other things, RBAS is responsible for managing the FRBNY’s account relationships with third-party financial institutions, including the access of such third-party financial institutions to master accounts.

3. Through my role at the FRBNY, I have knowledge of the FRBNY’s account relationship with BSJI, including the facts and circumstances that led to the FRBNY’s decision to close BSJI’s master account by July 31, 2023.

4. When making account access decisions, the FRBNY considers the associated risks, including financial, legal, compliance and reputational risks. The FRBNY now follows the framework set forth in the Guidelines for Evaluating Account and Service Requests published by the Board of Governors of the Federal Reserve System in August 2022 (the “Guidelines”).

5. The circumstances under which the FRBNY suspended BSJI's account access in 2019 highlight the risks that account access pose to the FRBNY and U.S. financial system and the need for the FRBNY to be able take action to mitigate those risks, including by terminating access when necessary.

6. On February 6, 2019, the FRBNY suspended BSJI's account access when it learned that earlier that day, the Federal Bureau of Investigation ("FBI") had raided BSJI's offices. The FRBNY was served with a seizure warrant instructing it to transfer a substantial portion of the funds from BSJI's master account at the FRBNY to the U.S. Marshal Service.

7. As a condition to regaining access to its account, BSJI agreed to comply with the FRBNY's Supplemental Terms and Conditions Governing the Provision of Financial Services to High-Risk Customers (the "Supplemental Terms"). The FRBNY relied on BSJI's execution of the Supplemental Terms when it fully restored BSJI's access to its account in December 2020.

8. In this action, BSJI challenges the FRBNY's decision to close BSJI's account by July 31, 2023. The grounds for closure are set forth in a memorandum from the FRBNY's Compliance Function to RBAS staff ("Compliance"), dated March 31, 2023, and a memorandum from RBAS staff to the head of the Operations and Resiliency Group, dated April 1, 2023.

9. The FRBNY communicated that decision to BSJI in a letter dated April 24, 2023. Over the next several weeks, BSJI sent the FRBNY multiple letters and voluminous materials. The materials almost exclusively focused on purported enhancements to BSJI's compliance programs that had not been tested or validated and not the FRBNY's significant concerns about BSJI's high-risk, related-party transaction activity.

10. The materials BSJI provided also represented that, as of June 2023, BSJI had 13 customers and the majority of them were located in Curacao, a Dutch Caribbean island off the

coast of Venezuela that the U.S. Department of State has flagged as associated with money laundering risk. BSJI further represented that all but one of its customers was a close family member of BSJI's owner or entities that those family members control.

11. Upon receipt of the additional materials from BSJI, the FRBNY extended BSJI's closure date so that it could review them and have a discussion with BSJI, which took place on June 20, 2023.

12. As detailed in a follow-up letter to BSJI, dated June 30, 2023, neither the additional materials nor the discussion resolved the FRBNY's serious risk concerns, including because BSJI largely ignored or failed to provide comfort on the FRBNY's transaction activity concerns. The FRBNY thus informed BSJI by letter on June 30, 2023 that it was moving forward with the planned account closure on July 31, 2023.

13. In the June 30 letter, FRBNY told BSJI that it could seek an extension of the closure date if BSJI needed time to wind down its account use. Such an extension would allow BSJI to seek to secure a correspondent banking partner, which would allow BSJI to continue to access to the U.S. financial system. BSJI did not pursue that opportunity.

14. The vast majority of IBEs and IFEs in existence appear to operate through correspondent banking relationships. The U.S. Department of Treasury reported that as of November 2021 there were approximately 77 IBEs and IFEs in operation, and FRBNY's records reflect that only 14 such institutions had access to a master account at the time.

15. My staff, Compliance staff, and Financial Intelligence and Investigations Unit staff at the FRBNY currently expend a substantial amount of time and resources attempting to mitigate the risks associated with BSJI's account access, including by reviewing, analyzing, and

discussing concerns about BSJI's ongoing transactional activity. This makes it difficult to attend to other pressing matters.

16. From both a risk and burden perspective, this account relationship is untenable and unsustainable, which is why the FRBNY invoked its rights to terminate it.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: August 22, 2023
New York, NY

A handwritten signature in cursive script that reads "Suzanne Benvenuto".

Suzanne Benvenuto